GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1143
ANSWERED ON:23.11.2007
REFORMS IN BANKING SECTORS
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Will the Minister of FINANCE be pleased to state:

(a) status of restructuring in Public Sector Banks;

(b) whether the Government proposes to bring about reforms in banking sectors and financial institutions with a view to compete with private sector;

(c) if so, the details thereof; and

(d) if not, the reasons therefor?

Answer

THE MINISTER OF THE FINANCE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) : To facilitate quick and efficient decision-making and to provide sufficient managerial autonomy to the Boards of public sector banks to be able to compete internationally, Government announced an Autonomy Package on 22.02.2005 for these banks. As per this package, the Bank Boards are competent to decide on the issues relating to entering new lines of business as part of overall business strategy, make suitable acquisitions of companies or businesses, close / merge unviable branches, open overseas offices, set up subsidiaries and exit a line of business, etc.

(b) & (c) : To improve the health of the banking sector in India, in general, and that of Public Sector Banks (PSBs), in particular, and also to bring it at par with international standards, the Reserve Bank of India has prescribed measures for strengthening of risk based prudential supervision, introduction of capital adequacy standards on the lines of the Basel Committee norms, etc. coupled with wide ranging steps undertaken by the Government. After initiation of reforms in early 1990s, financial performance of the banking sector has improved significantly. Balance sheet and profitability indicators viz. Return on Assets, Net Interest Margin, Non-Performing Assets (NPA) Ratios, Provisioning and Classification norms for NPAs, Capital Adequacy Ratio etc. suggest that the Indian banking sector now compares well with global benchmarks.

(d) : Does not arise.